

MONTHLY REVENUE REPORT

June 2008

Michigan's General Fund and School Aid Fund earmarked taxes generated \$1.94 billion in June 2008, which topped last year's level by 21.7%. This strong rate of growth can be traced to two major factors: 1) Noneconomic factors, including the income tax rate increase and other factors that alter the flow of monthly revenue collections from one year to the next, had positive impacts on income, sales, and use tax collections in June, and 2) tax collections came in much higher than was expected for the State education and Michigan business taxes. The impact of the noneconomic factors was anticipated and it is estimated that these factors boosted tax collections 16.0% in June. The increase in State education property tax revenue was not anticipated, but given that these tax receipts are relatively small and volatile this time of year, the June increase in State education tax revenue likely reflects a fluctuation among months and is not a true revenue increase. In regard to the Michigan business tax, it is still too early in the life of this tax to have a good feel for its monthly pattern, so there is not yet enough information available to evaluate accurately how the revenue from this new tax is coming in relative to the fiscal year estimate. As a result, it appears that June tax collections were essentially on target with the estimate for the month, particularly in regard to tax collections excluding the Michigan business tax. On a fiscal year-to-date basis, tax collections are up 9.2% or about 4.5% after adjusting for the increase in the income tax rate.

Income tax revenue totaled \$770.5 million in June, representing a 17.2% increase from last year's level. This increase was due to two noneconomic factors: 1) Current income tax receipts reflect the new tax rate of 4.35%, while year-ago income tax receipts reflected the previous tax rate of 3.9%, and 2) an extra key payday in June helped boost income tax withholding collections. After adjusting for these noneconomic factors, income tax revenue was essentially unchanged from last year's level. So far in FY 2007-08, income tax revenue is up 15.7%, due largely to the increase in the tax rate.

Sales tax receipts in June totaled \$633.4 million, which was up 16.2%. June collections benefited from the fact that May ended on a weekend, which caused some sales tax collections that otherwise would have been counted in May to spill over into June. Adjusting for this noneconomic monthly fluctuation in sales tax collections reveals that collections in June were up only about 1.0% compared with last year's level. Sales tax collections from motor vehicle transactions were down 4.5% in June, but sales tax receipts from all other taxable sales were up 19.1%, or about 1.7% after adjusting for the noneconomic monthly fluctuation. On a fiscal year-to-date basis, sales tax receipts are up 4.0%.

Single business tax revenue totaled \$29.9 million in June. These collections were down 70.2% from last year as the revenue from this repealed tax continues to wind down. The revenue from this tax could be negative in coming months as refund payments from past overpayments may exceed incoming revenue.

The Michigan business tax generated \$171.5 million in June. These actual collections topped the preliminary target for June; however, given that June marks only the fifth month that revenue has been collected by this new tax and that the second quarterly payment is not due until July 15, there is simply not enough information available at this time on which to base a reasonable evaluation of how monthly collections are tracking with the fiscal year revenue estimate. So far in FY 2007-08, collections from the Michigan business tax total \$702.6 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for June 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the May 16, 2008, Consensus Revenue Estimating Conference.



Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE

JUNE 2008

(dollars in millions)

Type of Revenue	June Collections		FY 2007-08 to Date ²⁾		FY 2007-08 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2006-07
Gross Income Tax	\$ 815.4	16.3%	\$ 6,375.3	12.2%	\$ 8,999.4	10.7%
Refunds	(44.9)	2.7	(1,649.7)	3.4	(1,825.5)	8.2
Net Income Tax	770.5	17.2	4,725.6	15.7	7,173.9	11.4
Sales Tax	633.4	16.2	4,419.6	4.0	6,648.8	1.5
Motor Vehicles	64.3	(4.5)	461.2	(1.5)	---	---
All Other Sales Tax	569.1	19.1	3,958.4	4.7	---	---
Use Tax	123.1	25.5	904.5	1.9	1,338.0	(3.1)
Tobacco Taxes	92.9	(7.8)	693.5	(5.5)	1,081.0	(4.3)
Single Business Tax	29.9	(70.2)	739.2	(34.4)	560.6	(69.1)
Michigan Business Tax	171.5	---	702.6	---	1,816.3	---
Insurance Tax	1.8	260.0	134.9	1.7	244.0	9.0
State Education Property Tax	59.0	69.1	565.2	12.7	2,028.3	(2.5)
Real Estate Transfer Tax	13.5	(29.3)	115.7	(25.0)	189.0	(20.4)
Casino Wagering Tax ⁴⁾	9.8	(25.8)	100.6	(17.2)	140.1	(12.1)
Oil & Gas Severance Tax	9.9	102.0	62.0	45.5	86.0	19.4
Other Taxes ⁵⁾	26.1	23.7	248.7	0.1	377.5	(19.7)
Total	\$1,941.4	21.7%	\$13,412.1	9.2%	\$21,683.5	5.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$169.5	(22.3)%	\$1,767.8	(0.5)%	\$2,212.0	(0.5)%
Net to School Aid Fund ⁴⁾	\$ 53.6	(16.9)%	\$ 567.0	0.3%	\$ 749.2	0.0%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.

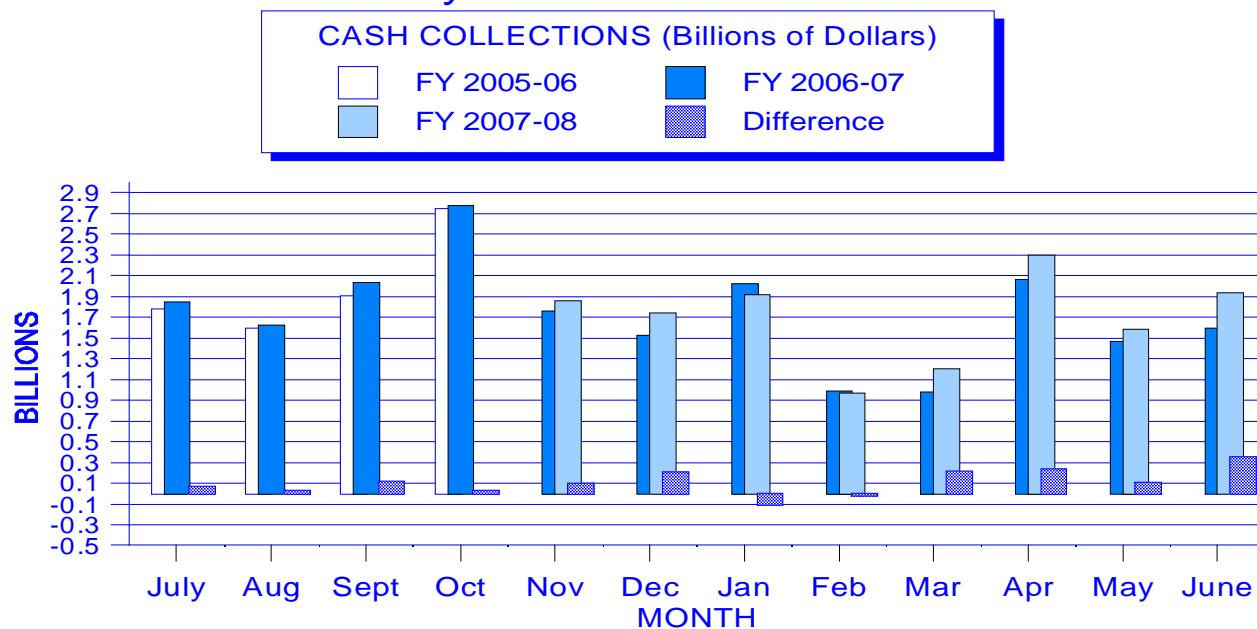
3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*

July 2006 to June 2008



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.